GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1030
ANSWERED ON:23.10.2008
REDUCTION IN CRUDE OIL PRICES
Kharventhan Shri Salarapatty Kuppusamy;Vijay Krishna Shri

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Committee headed by Shri Chaturvedi has submitted its Report on the issue of subsidy on petroleum products;

(b) if so, the details thereof;

(c) whether the Government has studied its impact on the common man on its implementation;

(d) if so, the action taken by the Government thereon;and

(e) the steps taken by the Government to reduce the burden on the common man on the phasing out of subsidy on petroleum products?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS(SHRI DINSHA PATEL)

(a): A High Power Committee under the Chairmanship of Shri B.K. Chaturvedi,constituted to examine the financial position of Oil Companies,has submitted its Report on 31.07.2008.

(b): The main recommendations of the Committee are as under:

(i) The change of pricing at the refinery gate from the current Trade Parity (for Petrol and Diesel) and Import Parity (for Kerosene and LPG) to Free on Board (FOB) Export Parity basis.

(ii) The price of Petrol be adjusted to fully reflect international prices by March,2009 and the price of Diesel be adjusted to fully reflect international prices in 24 months time.

(iii) Sale of Diesel to industrial and commercial users be at market prices to be negotiated on commercial considerations.

(iv) Once these price adjustments are completed, Government should disengage from the process of pricing of petroleum products,and allow pricing to be an outcome of a competitive market process.

(v) Subsidies on LPG (Domestic) and SKO (PDS) should be restricted to BPL families only. This subsidy should be delivered through Smart Cards or cash transfer in urban and semi-urban areas and not through supply of products below their market prices.

(vi) For Domestic LPG, the entitlement to subsidised supply should be reduced to 6 refills in a year,which could be progressively reduced to 4 refills,2 refills and zero refills in the following years.

(c)&(d): The recommendations made by the Committee are under consideration of the Government.

(e) The Oil prices in the international market directly impact the cost price of petroleum products in the country.To protect the interests of the common man from high international oil prices, the Government has taken following measures:-

(i) Ensured that the burden was equitably shared by all the stakeholders;namely,the Government,the Oil Companies and the consumers in the following manner:-

Issue of Oil Bonds by the Government to OMCs to compensate them partly for their under-recoveries;

Sharing of a part of the under recoveries by Upstream Public Sector Oil Companies by offering price discounts;and

Downstream oil companies to absorb the remaining under-recoveries.

(ii) Reduction of Custom Duty on crude oil to Nil and on Petrol & Diesel to 2.5%;

(iii) Reduction of Excise Duty on unbranded Petrol and unbranded Diesel by Re.1 per litre;

(iv) The Government has extended the existing Subsidy Schemes, namely; "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 and "Freight Subsidy (For Far-Flung Areas) Scheme,2002 for a period of three more years i.e. from 1.4.2007 to 31.3.2010;and

(v) Marginal increase in the retail selling prices of Petrol,Diesel and Domestic LPG effective 5th June,2008.